

FISCAL NOTE

HB 2547 - SB 2762

March 25, 1998

SUMMARY OF BILL: Requires health insurance plans and health maintenance organizations to offer a point of service (POS) option for mental health and substance abuse care covered by the plan. The POS plan may require deductibles and coinsurance but the bill sets limits of \$250 annually for the deductible and the coinsurance can not exceed twenty percent greater than that of the regular plan. The bill also allows an enrollee to self-refer to a provider. The premium must reflect the true difference in costs between the POS and the managed care plan and the benefits must be the same.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - Exceeds \$15,000,000

Increase State Revenues - Exceeds \$1,000,000

Increase Local Govt. Expenditures - Exceeds \$1,000,000

Increase Local Govt. Revenues - Exceeds \$1,000,000

Assumes that the bill will require the TennCare program to offer a POS option since all TennCare managed care organizations are regulated HMO's. Assumes TennCare enrollees will be subject to pay any deductibles.

Assumes premiums charged to TennCare enrollees will remain on a sliding scale, based on income level, and that the POS option will have to be offered to all TennCare eligibles.

Assumes the open referral provisions of this bill and the any willing provider provision will reduce the HMO's ability to manage enrollee utilization costs and to maintain volume discounts.

Estimate assumes the increased cost to HMO's will ultimately lead to an increase in capitation rates. Assumes the TennCare program will not be able to recover an amount necessary through premiums, because of the sliding scale based on income level, to cover increased costs

Assumes that any HMO contracting with the state and local government to provide mental health coverages would be required to offer a POS option. Assumes any increased cost would be paid by the state and local government employees who choose the POS option.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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